MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

DMG5028 – MANAGEMENT ACCOUNTING 2

(All sections / Groups)

01 JUNE 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTION TO STUDENTS

1. This question paper consists of **6** pages with 5 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

Koko Lili manufactures and sells high-quality speakers and sound system used in concerts. Operating at capacity, the company can produce and sell up to 15,000 speakers per year. Costs associated with this level of production are as follows:

Costs	Per unit (RM)	At Capacity (15,000 units) (RM)
Direct materials	550	8,250,000
Direct labour	700	10,500,000
Variable manufacturing overhead	650	9,750,000
Fixed manufacturing overhead	850	12,750,000
Total costs	**2,750**	**41,250,000**

The speaker normally sells for RM4,500 per unit. Despite this high price, the company can expect to sell 12,000 units in the upcoming year. Fixed overhead is constant at RM12,000,000 between 6,000 and 15,000 units.

A music school wishes to purchase 120 units of speakers from the company to change all of their speakers. The company's regular price is RM4,500, but the music school would like volume discount and asks the company to reduce its price to RM3,500 for this purchase. Accepting this deal would not affect the company's normal business. To fill the order, the company would have to purchase a machine to stamp the music school's name on each unit of speaker. The machine would cost RM85,000 and would have no use outside of the order. The additional stamping pad and rubber would add a cost of RM60 per unit.

Instructions

(a) Prepare an incremental analysis for this special order. (7 marks)

(b) Determine whether Koko Lili should accept or reject this special order. (1 mark)

Part B

Jaya Sdn. Bhd. could sell its specialised guard pad to retailers either in lavender scent or unscented. The cost of an unscented pad is as follows:

Direct materials	RM 13
Direct labour	10
Variable manufacturing overhead (60% of direct labour)	6
Fixed manufacturing overhead (40% of direct labour)	4
Manufacturing cost per unit	RM 33

The unscented pads are sold to retailers at RM50 each.

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Jaya Sdn. Bhd. currently has unused productive capacity. The management has concluded that some of this capacity can be used to coat the pads with lavender scent and sell them at RM65 each. Coating the pads will increase direct materials by RM4 per pad, and direct labour by RM6 per pad. Additional variable overhead will be incurred at the normal rates, but there will be no additional fixed overhead as a result of coating the pads.

Instructions

(a) Prepare an incremental analysis for the sell-or-process-further decision. (9.5 marks)

(b) Should Jaya Sdn. Bhd. sell or process further the unscented pads? (1 mark)

Part C

When the management decides to use the incremental analysis to assist their decision-making process, it is essential to first understand a few important concepts. Briefly explain each of the following concepts and indicate whether it should be included in the incremental analysis:

(a) Relevant costs
(b) Opportunity costs
(c) Sunk costs (1.5 marks)

[TOTAL 20 MARKS]

QUESTION 2

Part A

Jenna is the owner of EcoGreen that produces hair curlers that are used in the hair and beauty industry. The company has invested machineries and assets of RM10,500,000 and they expect a return of investment (ROI) of 25%. Besides, they also forecasted to produce 50,000 curlers this year. The following cost information is provided for the year:

- Direct materials used per unit is RM100.
- Direct labour per unit is RM80.
- Variable manufacturing overhead costs per unit is RM60.
- Variable selling and administration costs per unit is RM50.
- Total fixed manufacturing overhead costs is RM2,440,000.
- Total fixed selling and administration costs is RM1,750,000.

Instructions

(a) Compute the desired return on investment (ROI) per curler and the cost per unit of the fixed manufacturing overhead and the fixed selling and administration costs. (3 marks)

(b) Compute the markup percentage needed to provide the desired ROI and the target price of the curler using the variable costing method. (7 marks)

Continued...

(c) Compute the markup percentage needed to provide the desired ROI and the target price of the curler using the full costing method. (8 marks)

Part B

List one advantage and one disadvantage of using the cost-plus pricing method. (2 marks)

[TOTAL 20 MARKS]

QUESTION 3

Part A

Amber Hospital has two principal operating departments, Emergency department and In-patient department; and two servicing departments, Administration department and Canteen department. Administration department costs are allocated based on budgeted number of staff while Canteen department costs are allocated on the basis of patient service hours. The following information were provided by Amber Hospital for the year 2017:

	Service Departments		Operating Departments	
	Administration	Canteen	Emergency	In-patient
Departmental costs before allocation	RM375,000	RM824,000	RM675,500	RM758,850
Number of staff	-	35	50	100
Patient service hours	27,000	-	86,000	120,000

Instruction
Using the direct method, allocate the service department costs to the operating departments. (5 marks)

Part B

Abby is the audit manager of a multinational audit firm. On Monday, she received an email to attend a meeting in Lee & Co, Johor Bharu, regarding some issues that were found in the client's account. The accommodation fees will cost RM550.

During her meeting in Lee & Co, she received another email requesting her presence in another meeting with a potential client, Ang & Co, Johor Bharu. The accommodation fees for this extended stay will costs RM450. However, as Abby is a frequent customer of the hotel, the management of the hotel has decided to give Abby a 25% discount on her total accommodation bill.

Instruction
Using the stand-alone method, determine the cost allocated to Lee & Co and Ang & Co. (5 marks)

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Part C

All Fish purchases raw fish meat from fishing companies and process it up to the splitoff point where two products are obtained, fish ball and fish paste. These two products are subsequently packed and shipped to various markets to be sold. In January 2018, the company had incurred RM880,000 to purchase and process 550,000 kilograms of raw fish meat. The following information was collected for January 2018:

	Fish ball	Fish paste
Beginning inventory (kilograms)	0	0
Production (kilograms)	287,520	254,575
Ending inventory (kilograms)	10,000	30,000

Due to the price hike in raw fish meat, the company has decided to increase the price of fish ball by RM0.50 per kilogram and fish paste by 20%. The price of fish ball in December 2017 was RM4.50 per kilogram while the price of fish paste in December 2017 was RM10 per kilogram.

Instruction
Calculate All Fish's joint cost per kilogram and the gross margin percentage for fish ball and fish paste when joint costs are allocated using the sales value at splitoff point method. *(Hint: Round the joint cost per kilogram to the nearest ringgit).*

(10 marks)

[TOTAL 20 MARKS]

QUESTION 4

Part A

Impact Corp produces LED lights that are used in streetlight and LED display board projects. Inventories held on 31 December 2017 were 2,270 units. The company set the required ending inventory at 22% of the following month's budgeted sales. Sales projections for the first five months of 2018 are shown below:

Month	Number of units to be sold
January	10,500
February	9,800
March	10,200
April	10,800
May	9,900

The management has also decided to increase the LED light's price by 15% in January 2018 and a further RM10 starting from February due to the increase in material price. The price of the light was RM200 on 31 December 2017.

Instruction
Prepare a sales budget and a production budget by month for the first quarter ending 31 March 2018. (10 marks)

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Part B

Action On Sdn. Bhd. manufactures animated action soft toys. Each of the soft toy requires two meters of special cloth that costs RM5.50 per meter. Action On has a policy that states that the ending inventory of the cloth should be at least 50% of the following quarter's production needs. The following production schedule was given:

Quarter	No. of units
Quarter 1, 2018	50,000
Quarter 2	48,000
Quarter 3	45,000
Quarter 4	42,000
Quarter 1, 2019	52,000

The company expects to sell the soft toy at RM75 each while the cost to make one unit of action soft toy is RM50. The company has also budgeted selling and administrative expenses amounting to RM2,355,900 during the year.

Instructions

(a) Prepare a direct materials budget for the special cloth by quarters for the six-month period ending 31 December 2018. (7.5 marks)

(b) Prepare the budgeted income statement for the year ending 31 December 2018. Assume that the company expects to sell all the soft toy that they have produced. (2.5 marks)

[TOTAL 20 MARKS]

QUESTION 5

PART A

Sendayan Co. manufactures two types of noodles that are sold in Malaysia, the famous spinach noodle and the wheat ramen. The company has budgeted a total overhead costs of RM621,900 for the year 2018 and has identified four activity costs pools. The following information for the year 2018 was presented as below:

Activity Cost Pool	Cost Driver	Estimated Overhead (RM)	Cost Drivers by Product	
			Spinach noodles	Wheat ramen
Receiving orders	Orders	24,750	3,275	850
Machining	Machine hours	558,000	7,000	2,000
Packing	Boxes	17,100	725	225
Inspection	Inspections	22,050	344	97
Direct material			RM3 per packet	RM3.50 per packet
Direct labour			RM2 per packet	RM2.20 per packet

Instructions

(a) Compute the activity-based overhead rates. (2 marks)

Continued...

(b) Compute the overhead cost per unit for each product. Assume the company produced 96,780 packets of spinach noodle and 23,000 packets of wheat ramen. (6 marks)

(c) What is the price for a packet of spinach noodle if the company wishes to earn a mark-up of 25% profit? (2 marks)

Part B

Zaza Company has the following standard costs for its lipstick for the year 2017:

Zaza Company
Standard Cost Card

Cost Elements	Standard Quantity	X	Standard Price	=	Standard Cost
Direct materials	10 gram		RM 1		RM 10
Direct labour	0.5 hours		12		6
Variable overhead	0.5 hours		10		5
Fixed overhead	0.5 hours		12		6
					RM 27

The company expects to work 150,000 direct labour hours and produce 76,000 units of product. Overhead applied is calculated based on direct labour hours.

In December 2017, the company has actually produced 78,800 units of lipstick with a direct material purchased and used during the year amounting to 866,800 gram costing RM8,234,600. Direct labour costs were RM209,000 for 38,000 direct labour hours. Total actual manufacturing overhead costs were RM450,000.

Instructions
Compute the following variances for Zaza Company for 2017 and indicate whether the variance is favourable or unfavourable.

(a) Direct materials price variance. (2 marks)
(b) Direct materials quantity variance. (2 marks)
(c) Direct labour price variance. (2 marks)
(d) Direct labour quantity variance. (2 marks)
(e) Overhead variance. (2 marks)

[TOTAL 20 MARKS]

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